

Certified Defense Financial Manager (CDFM) Study Guide

This study guide was prepared as a directed study effort at the Naval Postgraduate School, Monterey, California. The opinions expressed in this study guide do not necessarily reflect the view of the Naval Postgraduate School, the U.S. Navy or the Department of Defense.

MODULE 1

Competency Area 1

Government Resource Management Environment

Study Guidance:

This area forms 15% of Module I (approximately 12 questions) and deals with the financial manager's knowledge of the government-wide processes involved in obtaining resources necessary to perform your organization's mission.

Learning Objectives:

- Functions of three branches of federal government
- Checks and balances between branches of government
- Preparation and structure of the federal budget
- Sources and applications of federal funds
- Relationship of the defense budget to gross domestic product
- Relationship of defense budget to federal budget

Core competency requirements are:

Relationships and functions of the three federal government branches.

The Constitution established 3 Articles. Each Article creates a government entity and defines its powers. Article I established Congress and gave it authority to make laws and to collect taxes, declare war, raise an Army and a Navy. Article II established the Executive branch, and defined the role of the President. Article III created the Judicial Branch and the Supreme Court.

Preparation and Structure of the Federal budget.

The President's budget is to be submitted NLT the 1st Monday in February. Both Houses of Congress approve a Concurrent Budget Resolution (CBR) based on the President's Budget. The CBR sets ceilings for the 13 major appropriation bills. Each House has a committee that agrees on an Authorization bill, which allows programs to exist. Then each House has a committee that agrees to an appropriation bill to provide budget authority. These bills are sent to the President to become laws.

Roles of the President, Congress, Treasury Department, the Office of Management and Budget, Congressional Budget Office, and other Federal agencies.

President- The first step in the federal budget process is when the President submits his budget. Signs the authorization and appropriation bills into law. The final step is the execution of the budget after the President signs it.

Congress- Agrees to a CBR, authorization, and appropriation bills. These are the 2nd, 3rd and 4th steps in the federal budget process.

Treasury Department- Maintains money for government outlays.

Office of Management and Budget (OMB) - OMB's predominant mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration in Executive Branch agencies.

Congressional Budget Office- The Congressional Budget Office (CBO) was created by the Congressional Budget and Impoundment Control Act of 1974. CBO's mission is to provide the Congress with the objective, timely, nonpartisan analyses needed for economic and budget decisions and with the information and estimates required for the Congressional budget process.

Describe the Legislative process and its genesis.

The 4 main events leading to the current legislative process are: The Declaration of Independence, The Articles of Confederation, The Constitution (ratified by 9 states), and the Constitution. The power to raise funds must begin in the House of Representatives, specifically the House Ways and Means Committee. Congress proposes bills to the President for approval or veto.

Check and balances among branches of the Federal government.

To maintain balance between the authority of the federal government and the rights and liberties of individual citizens, and to avoid an all powerful, tyrannical, centralized government, a system of checks and balances was devised to separate power between the Executive, Legislative, and Judicial branches.

Relationship of the federal budget to the Gross Domestic Product.

The federal budget represents about 1/5th (or 20%) of the GDP.

Sources and applications of federal funds.

Revenues to the federal government come mainly from individual income taxes (46%), social insurance payroll taxes (34%), and corporate income taxes (11%). Spending is divided into two types, Direct (68%-mandatory) and Discretionary (32%-discretionary). National Defense accounts for 15% of total federal spending.

Relationship of the defense budget to the federal budget.

The defense budget represents 15% of the total federal budget and is considered discretionary spending.

Competency Area 2

Defense Resource Management Environment

Study Guidance:

This area makes up 35% of Module 1 (about 28 questions). It deals with the role, size and impact of DOD and its elements in the Federal government. Also discussed are ethics, organizational relationships within DOD (resource management), basic financial management terms, and IT.

Learning Objectives:

Understand the organizational structure of DOD
Know roles & responsibilities of senior members in DOD
Briefly describe PPBS
Have a working knowledge of ethics standards
Use of IT

Core competency requirements are:

DoD Organization

National Security Act Amendments of 1949 established the DoD as an executive agency (10 U.S.C., 111), headed by SECDEF. Continuing down:
DEPSD>>JCS>>VJCS>>Unified Combatant Commands

Roles and Responsibilities of Senior Members

SECDEF- Cabinet level position created by National Security Act of 1947. Under the President (Commander-in-Chief), SECDEF exercises authority, direction, and control over USA, USN, USAF, JCS, unified commands and various defense agencies. Two key members of his staff (OSD):

- **Deputy SECDEF** delegated full power and authority of SECDEF
- **USD (C)/CFO** is principal advisor and assistant to SECDEF for budget and fiscal matters including:
 - Financial management, accounting policy and systems (DFAS)
 - Budget formulation and execution, DCAA
 - Analyses of force planning and programming for DOD force structure, system acquisition, and other resource allocation actions
 - Oversees the collection, analysis, and reporting of resource management information to OMB, Congress, GAO, and other agencies.

JCS consists of CJCS, VCJCS, and Chiefs' of Staff of USA, USN, USAF and Commandant of the Marine Corps

CJCS identified by Goldwater-Nichols DOD Reorganization Act of 1986 as senior ranking member of Armed Forces and principal advisor to the President, NSC and SECDEF. Other members can also provide advice upon request and/or when it does not agree with CJCS.

CJCS responsible for:

- Assisting President and SECDEF in strategic direction and planning
- Allocating resources to fulfill plans
- Making recommendations for assignments IAW and in support of logistic and mobility plans
- Comparing U.S. and Ally capabilities with potential adversaries
- Preparing/reviewing contingency plans that conform to policy guidance from above
- Preparing joint logistic and mobility plans to support contingency plans
- Advise SECDEF on deficiencies and strengths, priorities of requirements and budget proposals of unified combatant commands (responsible for suggesting alternatives to SECDEF), how major programs, policies, and manpower issues conform to strategic plans, and assesses requirements for acquisition programs

VCJCS performs duties assigned by CJCS with approval of SECDEF, acts as CJCS when there is a vacancy or absence, second highest-ranking member of Armed Forces

Joint Staff assists **CJCS**, and subject to his authority, other members of JCS, headed by director selected by CJCS and members, approved by SECDEF, must be permanent duty military or civilian employees.

Unified Combatant Commands (a.k.a. unified CINCs) have broad continuing missions for:

- Maintaining U.S. security and defense against attack
- Supporting and advancing the national policies and interests of the U.S. and discharging areas of responsibility
- Preparing plans, conducting operations, and coordinating activities of forces assigned to them per higher authority

Orders from the President and SECDEF are passed to Commanders of the unified combatant commands via the CJCS

PPBS

Primary DOD tool for resource management, articulates DoD strategy to support President's NSS and identifies forces (equipment, basing, personnel) needed. Decides what programs will be funded and by how much.

PPBS Roles and Responsibilities

- SECDEF provides policy direction while placing program execution authority/responsibility with DoD components
- DoD components provide advice/information to OSD re: execution and accountability
- DoD components strive in each PPBS cycle to give operational CINCs the best mix of forces, equipment and support within resource constraints

Future Years Defense Program (FYDP)

Foundation of PPBS, is a database summary of force structure, personnel strength, and financial resources, updated at selected times and has contains data on:

- Prior year
- Current year
- 2 budget years
- 4 outyears of budget data
- 3 additional years of force structure

PPBS Phases

Planning-beginning of continuous cycle, defines the military role and posture of U.S. and DoD IAW NSS and threats.

Documents used:

- JLRSA, JSPD, military departments' LRPs
- These documents contain JCS and military departments' military strategy, advice and recommendations for mid and long term planning
- Commanders of the unified and specified commands also provide SECDEF and Defense Resource Board (DRB) appraisals of major issues of their commands that should be in DPG
- Last document is Defense Planning Guidance (DPG), which passes on defense policy, strategy, force planning, resource planning, and fiscal guidance, which reflect constraints and SECDEF's priorities for POM preparation.

Programming-components take DPG and develop POMs, which reflect analysis of missions and objectives, alternatives, and resource allocation. Includes the budget years, 4 years beyond for cost and manpower, 7 years beyond for forces.

- POMs are analyzed for compliance with JCS risk assessments
- Issue Books developed by PA&E
- DRB meets to discuss issues and decisions made by SECDEF/DSECDEF, and decisions are announced in PDM's. PDM adjusts or approves POM.

Budgeting-begins with DoD components developing detailed budget estimates for budget years

- 3 budget estimates normally submitted with 3 levels of review
- Decisions in PDMs not normally reexamined
- DoD portion of President's Budget finalized and sent to Congress as final output of PPBS. One of 20 budget functions in federal budget.

Ethics

Executive branch employees hold positions of public trust.

- Executive Order 12674 (1989) and modified by E.O. 12731 (1990) states 14 principles that define obligations of public trust.
- 2 Core principles
 - Employees should not use public office for private gain
 - Employees shall act impartially and not give preferential treatment to any private organization/individual

Gifts from Outside Sources

Executive branch employees have restrictions re: gifts that they may accept, specifically from prohibited sources including those whom:

- Seek official action by the employee's agency
- Do or seek to do business with the employee's agency
- Are regulated by the employee's agency
- Have interests that may be substantially affected by performance/nonperformance of the employee's agency
- Exceptions
 - Value of gift is \$20 or less
 - Gift based solely on family or friendship
 - Gift based on an outside business or employment relationship
 - Gift is in connection with certain political activities

Gifts Between Employees

No gifts to official superior or from a lower paid employee

Exceptions:

- Occasions when gifts traditionally given
- Gifts other than cash and no more than \$10
- Food and refreshments shared in office
- Customary personal hospitality in home
- Gifts in connection for personal hospitality and occasion
- Transferred leave not to immediate superior
- Events of personal significance (marriage, birth, illness, adoption)
- Termination of subordinate-superior relationship (retirement, resignation, transfer)
- Solicitation/donation must be voluntary

Conflicting Financial Interests

Participation in a particular matter that will effect certain financial interests is prohibited.

Financial interests include those of:

- Employee
- Employee's spouse/minor children
- An organization that employee holds any position
- Person with whom employee is negotiating or has arrangement for employment
- Employee faced with above must recuse himself, obtain a waiver from his agency, divest self from interest, or resign.

Impartiality in Performing Official Duties

Avoid perception of impartiality when involved in a "covered relationship" with a party in a particular matter such as a contract, permit, loan or license. Covered relationships include:

- Parties seeking business, contracts or other financial relationship
- Close personal relationships/household members
- Person for employee's spouse, parent, or dependent child has a business or employment relationship currently or within the last year
- Any organization in which employee is an active participant

Seeking other Employment

May not participate in any particular Government matter that will affect the financial interests of a person or entity with whom he is seeking employment, which occurs when:

- Employee is actually negotiating for employment
- Potential employer contacted employee about a position and employee does not reject
- Employee has contacted a potential employer for more than requesting a job application
- Employment seeking officially ends if employee or potential employer rejects possibility and all discussions has ended
- 2 months have lapsed since employee sent unsolicited resume and has not received any expression of interest from the potential employer.

Misuse of Position

Public offices are not to be used for private gain

- Cannot use position, title to coerce/induce a benefit for selves or others
- Cannot use or allow use of nonpublic information to further a private interest
- Cannot use Government property for other than authorized use
- Cannot misuse official time

Outside Activities

Limitations on any that conflict with official duties which are:

- Prohibited by statute/regulation of agency
- Of such a matter that would require employees to be disqualified due material impairment of duties
- Certain fundraising (solicit from subordinates, organizations with interest in agency)
- Payment for outside teaching, speaking, writing if related to official duties
- Honoraria can be accepted for an appearance, speech etc... that is not related to the employee's official duties

Post-Employment

- Permanently barred from representing back to any Federal department anyone with whom a personal and substantial involvement in a specific matter existed during service
- If the matter was under the employee's official responsibilities during the last year of service, then barred for 2 years from representing anyone back to the Federal government on the same matter
- Other restrictions are for one year
- Since 1993, an ethics pledge must be signed for certain persons appointed

Representation to Government Agencies and Courts

Prohibited from representation of private interests before the Government whether prosecuting a claim against the U.S. or representing a private party in a similar issue.

Exceptions in which employee can represent:

- The employee
- Parent, spouse, child of employee

Supplementation of Salary

Employees may not be paid by anyone other than the U.S. government for doing his/her Government job.

Exceptions:

- Employees serving without compensation from the U.S.
- Funds from any state, county, or municipal treasury
- Participation in a bona fide pension, retirement, group insurance or other employee welfare or benefit plan from former employer
- Payments for travel, subsistence etc... Made to an employee by a tax-exempt, nonprofit organization incurred in connection with training
- Moving expenses incurred from executive exchange or fellowship program in an executive agency

Financial Disclosure: Public Financial Disclosure

Certain senior officers and employees are required to file a public report (SF 278) disclosing financial interests of themselves, spouses, and minor children

Examples of what must be reported:

- interest in property held in a trade or business, investments or other production of income vehicles that meet reporting thresholds
- Non-investment income
- Gifts and reimbursements meeting thresholds
- Liabilities (personal or commercial loans) or auto, furniture or appliance loans and revolving charge accounts not exceeding \$10,000 at end of the reporting period.
- Agreements/arrangements regarding future employment, leave of absence, and continuation of payments or benefits from a former employer
- Outside positions with substantial involvement (except honorary)

Financial Disclosure: Confidential Disclosure (OGE Form 450)

Less senior employees in sensitive areas such as contracting, procurement, administration of grants and licenses, and regulating or auditing non-Federal entities must file these

- Not available to the public

Financial Disclosure: Remedies for Avoiding Potential Conflicts of Interest

- Recusal
- Waivers
- Certificates of Divestiture
- Trusts (blind)

Information Technology and Resource Management

- Internet arose from DoD experiment
- It is a client-server system composed of hypertext and hyperlinks as navigational aids
- IT Terminology is a "language" of IT users. The following is a sample of IT terms reader should become familiar with:
 - backbone - communications network where many lines come together
 - bandwidth - transmission capacity of a network connection (bps)
 - baud - speed of a modem (bps)
 - firewall - internet security to protect a LAN
 - FTP-file transfer protocol
 - ISDN - digital telephone system that provides high speed transmission (up to 128Kbps)
 - Network - group of computers connected to share resources and data
 - Database - is a collection of information organized for computer use

Competency Area 3

Personnel Management

Study Guidance:

This area forms 15% of Module I (approximately 13 questions) and deals with personnel management principles and practices. The financial manager works with a monetary resource, but a key resource he or she actually uses and must manage is people.

Unlike other resources, the amount and quality of work a person produces varies and is in direct relationship to the quality of the leadership he or she receives.

Learning Objectives:

Evaluation tools and criteria

Conflict resolution

Relevant legal authorities

Relevant Circulars and Regulations

Core competency requirements are:

Describe basic leadership and management principles and practices.

Principles

The four basic management functions are:

Planning - establishing the work units objectives and goals and linking them to the strategic plan (GPRA).

Organizing - determining how to carry out the plans through others.

Implementation- seeing the plan carried out by monitoring the work and coaching employees.

Evaluating - assessing the effectiveness of the work unit.

Practices

Influencing - purpose, direction and motivation (getting others to do what you want them to do)

Operating - actions taken to influence others.

Improving - striving to improve everything.

List the leadership/management events in the life cycle of federal employment

Employment

Performance management

- Assignment

- Standards

- Appraisals

Training

Handling difficult situations

- EEO complaint process

- Poor performance

- Conflict resolution

Federal labor-management relations system

RIF

Retirement

Describe the processes of: performance appraisals, training, EEO complaints, resolving poor performance, and conflict resolution.

Performance appraisals- performance appraisals ensure employees are utilized effectively and meeting expectations.

Training- Use training to achieve organizational goals based on benefit analysis.

EEO complaints- The process in which federal employees resolve complaints of discrimination.

Resolving poor performance -The failure of an employee to do the job at an acceptable level. Steps to address this include:
Communicating expectations and performance problems, providing an opportunity to improve, take action.

Conflict resolution- conflict arises because of differing priorities, misunderstandings, and personality clashes. 5 approaches to dealing with it are:

- Avoid

- Accommodate

- Compete

- Compromise

- Collaborate

Competency Area 4 Manpower

Study Guidance:

This area forms 10% of Module I (approximately 8 questions) and deals with the financial manager's knowledge of personnel policies as they relate to resource management, manpower rules, regulations, laws, and development of manpower requirements.

Learning Objectives:

Determination of peacetime requirements
Determination of mobilization requirements
Manpower management terminology
Relevant legal authorities
Relevant Circulars and Regulations

Core competency requirements are:

What is Defense Manpower Mgt. for financial managers?

The process for estimating manpower requirements for budgetary purposes and reporting manpower numbers to the OMB.

Calculate FTEs from total hours worked.

A) Divide total number of regular hours (includes leave) worked by the compensable hours applicable to the FY (2,080 or 2,088).

B) Steps for Computing FTEs:

- 1) Determine turnover rate for Full Time Position (FTP)=(# people who left FTPs last year/ # FTPs in unit)
- 2) Determine % of year needed to fill FTP vacancy = (avg.# working days to fill vacancy / total # working days per year)
- 3) Determine % of lapse for FTPs = (#1* #2)
- 4) Determine amount of lapse for FTPs = (FTP * #3)
- 5) Determine FTEs of the FTPs = (#FTP positions - #4)
- 6) Determine FTE of the OTFTPs = (#OTFTPs pd hrs / #pd hours per year)

7) Sum FTEs for FTP and OTFTP = (#5 + #6)

Examples:

-10 of 100 people left FTP's last year, Turnover Rate=10%

-Took avg. of 80 days to fill FTP vacancy, % of year to fill vacancy = $80/261$

-Turnover Rate* % of year to fill vacancy = $.10 * (80/261)$

-Amount of lapse = $100 * [.1 * (80/261)]$

-#FTEs from FTPs = $100 - (3.1) = 97.9$

#FTEs from OTFTPs = $4,176 \text{ hrs paid} / 2,088 \text{ total paid hrs per year/FTE} = 2$

-Sum of FTEs for FTPs and OTFTPs = $97.9 + 2 = 99.9$

Summarize mobilization processes for military and civilian personnel.

Terminate non-essential activities and reallocate personnel to higher priorities, assign military to jobs that contribute to the war, plan to fill additional civilian holes, mobilize reserves.

List Object Classes for personnel pay.

OC 10 Personnel Compensation and Benefits

OC 11 Personnel Compensation

OC 11.1 FTPs

OC 11.2 OTFTPs

OC 11.5 other pers compensation

OC 11.7 military personnel

OC 11.8 special services payments

OC 12 Personnel Benefits

OC 12.1 civilian

OC 12.2 military

Competency Area 5

Management and Internal Controls

Study Guidance:

This section makes up 10% of Module 1 (about 8 questions). You must be familiar with the Federal Manager's Financial Integrity Act of 1982, Comptroller General Standards for Internal Controls in the Federal Government, and related Federal Government and DOD Management Control regulations.

Learning Objectives:

Describe the importance and requirements of FMFIA and OMB Circular A-123
Summarize internal control standards, techniques, and documentation required in DoD's Management Control Program

Core competency requirements are:

The Federal Manager's Financial Integrity Act of 1982 (FMFIA)

Directed Federal employees to:

- Ensure Government resources were used efficiently and effectively
- Used consistent with agency mission, in compliance with laws
- Minimizes waste, fraud and mismanagement
- Amended the Accounting and Auditing Act of 1950 to establish internal controls
- Assure accountability of assets
- Identify, track, and correct material weaknesses

Other:

- Dir. OMB must establish guidelines for internal control reviews
- Agency Heads must evaluate internal controls annually and report to Congress/President

OMB Circular A-123 (Management and Accountability Control)

Provides further guidance to the above but is directed towards agencies and individual Federal managers.

Management Controls and Standards - Key Concepts

Consist of organization, policies, and procedures to ensure:

- Programs achieve intended results
- Resources used for agency mission
- Protect above from waste, fraud, and mismanagement
- Law and regulation compliance
- Reliable information available, maintained, and used for decision-making

GAO Standards:

Agency managers must include management controls in strategies, plans, guidance, and procedures consistent with these 5 standards, which define the minimum level of acceptable quality:

- Control Environment (set tone for positive and supportive attitude towards internal control)
- Risk Assessment (awareness to assess internal and external risks)
- Control Activities (internal controls should ensure directives followed)
- Information and Communication (must be reliable and timely throughout activity)
- Monitoring (assess and track quality of performance and resolve identified problems)

Assessing and Improving Management Controls

Managers must continuously monitor and improve management controls and correct deficiencies as well as include in annual Integrity Act report.

External supplements for assessing management controls:

- Daily operation findings
- Related management reviews
- IG/GAO reports (audits etc.)
- CFO audits
- OMB Circular A-127 reviews
- GPRA annual reports
- Congressional committee reports

Managers and employees should identify deficiencies and report if of interest to next management level.

Material Weakness-deficiency in DOD system of management controls due to:

- Lack of an applicable control
- Inadequate compliance with existing controls

Reporting on Management Controls

Per 31 USC 3512(d)(2) which is section 2 of FMFIA, requires agencies to submit 2 annual reports by 31 December to President and Congress:

- Statement of Assurance (statement re: assurance that agency's controls are adequate)
- Report on Material Weaknesses (in agency's control)

DoD Instruction 5010.40 Management Control Program Instructions

Each DOD component must:

- Establish a management control process and report on its effectiveness
- Segment organization into assessable units and maintain inventory
- Maximize use of existing management evaluation data and minimize new processes for evaluation
- Process should identify, report and correct weaknesses
- Submit to SECDEF by 15 November annual statement of assurance, signed by head or principal deputy, and consistent with USD Comptroller guidance
- Statement will be one of 3 forms:
 - Unqualified statement ("I have reasonable assurance that...")
 - Qualified statement ("I have reasonable assurance that...except for")
 - Negative statement ("I do not have reasonable assurance that...")

Competency Area 6

Fiscal Law

Study Guidance:

This area makes up 15% of Module 1, 15% of Module 2, and 10 % of Module 3 (about 32 total questions), and deals with the financial manager's knowledge of the law regarding availability of appropriations as to purpose, time and amount, applicable Comptroller General decisions, special purpose laws (Credit Reform, Foreign Assistance, Arms Export Control Acts), penalties and sanctions applicable under law, Anti-Deficiency Act (as applied to appropriations limitation), allotment or project executions, authorization and appropriation acts including their inter-relationship and respective roles, reporting and notification requirements.

Learning Objectives:

Summarize constitutional authority for expending funds
Explain 3 factors that determine availability of budgetary resources
Summarize Life Cycle of DoD appropriations
Summarize Anti-Deficiency Act (A-DA) responsibilities and sanctions
Examples of ADA employee violations
Describe DWCF intent and requirements

Core competency requirements are:

Summarize constitutional authority for expending funds.

The Constitution Article I requires Congress to collect taxes, then make appropriations in law before money may be spent from the Treasury.

Availability of appropriations as to purpose, time and amount.

Limits the budgetary resources for obligation and expenditure.

Purpose- Funds may be used only for the purposes authorized in the appropriation acts.

Amount- Obligations and expenditures may not exceed statutory established amounts.

Time- Period of time in which budgetary resources may incur new obligations vs. period of time in which disbursements can be made (expenditures), types:

-Annual Authority - available to incur new obligations for 1 FY or less (O&M, MILPERS)

-Multiyear Authority - budgetary resources are available within two or more fiscal years (RDT&E-2, OPN-3, PMC-3, WPN-3, APN-3, SCN-5, MILCON-5)

-No-Year Authority - resources available until purpose for funds met or no disbursements made against authorization for 2 years (WCF, BRAC)

Life Cycle of an Appropriation

Phase 1

Current Appropriation: 1-5 Years long (called Obligation Availability Period), \$ available for new obligations (at the end, unliquidated transfer to "expired" appropriation maintained at component level)

Phase 2

Expired Appropriation: \$ sits for 5 years (called Expenditure Availability Period) after Phase 1 to make payments/valid adjustments only; FY identity and appropriation integrity remain; at end the expired appropriation is canceled/closed.

Phase 3

Closed Appropriation: \$ no longer available for payments/adjustments, any payments/adjustments must come from current same appropriation of current year funds, up to 1% max)

Anti-Deficiency Act (ADA)

Title 31, US Code, Sections 1341 and 1517 - most important statutes re: obligations at activity level.

- Prohibit any officer or employee from making/authorizing obligations in excess of apportionment or amount set by agency regulations
- Forbids Government from obligating in advance of appropriations
- Each agency head must issue regulations to set up control system to
 - Keep obligations within apportionment
 - Enable agency to fix responsibility for violations

Reporting of Anti Deficiency Act Violations

Reporting Requirement-agency head must provide President, via OMB, and Congress information on violations immediately.

Examples of Employee Violations of ADA

Overobligation/Overexpenditure of an Appropriation or Fund (31 U.S.C. 1341):

An activity obligated \$200,000 of OPN instead of O&M funds (required) for documentation of a specialized equipment program. When error was discovered, there were no O&M funds available to correct error and replace OPN funds, therefore OPM funds were exceeded (had a liability to pay).

Contract or Obligation in advance of Appropriation (31 U.S.C. 1341):

Activity entered into a arrangement (contract) with current FY's funds to lease a building for next FY. Cannot use this FY's funds to pay for next FY's service/goods.

Overobligation/Overexpenditure of Apportionment/Reapportionment (31 U.S.C. 1516):

Component had a FY total allotment of \$1M with \$250K apportioned per quarter. If the first quarter's apportionment was over obligated (violation), it could continue to cause a total cumulative over-obligation in succeeding quarters and the whole FY.

Defense Working Capital Funds (DWCF)

- Established to meet recurring DoD needs using a buyer-and seller approach
- Long-term goal is to break even
- Selling prices are fixed during execution (except depots and CDAs)
- Consists of Revolving Fund, finances its own operations
- Funds can only be used during the FY of operations
- ADA violations can occur at component level where cash management is held

Basic Tenet of DWCF

- Create a customer-provider relationship between military operating units and support organizations and to increase concern of decision-makers regarding costs

Criteria for DWCF Use

Charter to set scope of activity group, signed by SEC/Asst SEC Military Dept. or Director, Defense Agency, submitted to DOD (C)

-4 criteria for evaluating potential activities into DWCF:

- 1) Identification of outputs as products/services provided by activity
- 2) Establishment of cost accounting system to collect costs of production
- 3) Identification of customers to align resources with requirements
- 4) Evaluation of buyer-seller advantages/disadvantages to include customers' cost influence through changing demands

Penalties and sanctions applicable under law and Anti-Deficiency Act

A written reprimand, up to removal from office for unintentional violations and/or up to \$5K fine and to 2 years in jail for intentional/willful violations

MODULE 2

SECTION 1

Planning, Programming and Budgeting System

Study Guidance:

This area forms about 60% of Module II (approximately 48 questions) and involves the financial managers knowledge of DoD PPBS, DoD budget, OMB Circulars and implementation of DoD guidance, appropriations and funds, fund execution, reimbursable and support agreements, flow of funds, and DoD programming.

Learning Objectives:

Purpose of PPBS

DoD's use of PPBS to allocate scarce resources

Flow of PPBS by phase

9 key products/documents of PPBS

Roles of the key officials in PPBS

Budget estimates and OSD

Prioritization determination

Modifying budget estimate submissions (BES)

Program Budget Decisions (PBDs) and state its purpose

Acquisition process and PPBS

Relationship between and among appropriations

Phases of the Federal Budget process

Reprogramming versus Transfers

Reimbursement determination between components

List resources for Defense Financial Managers library

Core competency requirements are:

Describe the purpose of PPBS.

The purpose of PPBS is to produce the following for DoD -Plans, Programs, and Budget. The benefit of PPBS is that it gives the CINCs the best allocation of forces, equipment, and support within constrained resources.

Describe how DoD uses PPBS to allocate scarce resources.

DoD uses the PPBS process for decision making on future programs and permits prior decisions to be examined and analyzed from the viewpoint of the current environment and for the time period being addressed. Factors that influence PPBS include, threat, politics, economics, technology, and resources.

Describe 9 key products/documents of PPBS.

- 1) DPG (Defense Planning Guidance) is the final document of planning phase:
 - reflects national security objectives and policies
 - guidance to Services for planning peacetime, crises, and wartime
 - dictates criteria and assumptions for force structure
 - sets priorities for resources
 - links planning to programming
- 2) POM (Program Objective Memorandum) is a product of programming processes in DoD. It displays resource allocation decisions in response to and in accordance with the DPG. Six years of data for forces, manpower and total obligation authority (TOA).
- 3) JPAM (Joint Program Assessment Document) is the JCS's risk assessment based on capabilities.
- 4) IB (Issue Books) is one-page narrative from OSD staff, DoD components and OMB. Addresses issues in the POM submissions.
- 5) PDM (Program Decision Memorandum) is a document of decisions by SEDEF on program and resource levels in the POM.
- 6) BES (Budget Estimate Submissions) are aggregated inputs from Services operational and field activities, based on programs and fiscal guidance in the POMs.
- 7) PBD (Program Budget Decision) is a document issued during joint review of Service budget submission by analysts of OSD and OMB. It reflects the SECDEF's decisions as to the appropriate program and funding to be included in the annual defense budget, and in turn, the President's Budget.
- 8) FYDP (Future Years Defense Program) is a program and financial plan for DoD as approved by SECDEF. It arrays cost data and force structure over 6 years (force structure another 3 years), portraying this data by Major Force Program for internal DoD review and by appropriation for Congressional review.
- 9) President's Budget is the budget for a particular FY sent to Congress by the President per the Budget and Accounting Act of 1921.

Discuss the roles of the key officials in PPBS.

- A) SECDEF, along with the DSECDEF, and assisted by OSD staff, exercises centralized control of executive policy direction by:
 - concentrating on major policy decisions
 - defining planning goals
 - allocating resources to support goals
 - includes joint, DoD-wide, cross Service and cross-command programs.
- B) DEPSECDEF is delegated full power and authority to act for SECDEF, manages PPBS with assistance from Defense Resource Board (DRB) of which he is chairman, and issues PDMs for Military Departments and Defense Agencies.
- C) JCS and CINCs-have input to and/or review of every product and step of PPBS including DPG

- CINCs interact with Military Departments via component commands, and identify requirements to Service commands who provide support.
- CINCs prepare Integrated Priority Lists (IPLs) of high priority needs, across Service and functional lines in accordance with fiscal constraints and submit to SECDEF, DEPSECDEF and JCS.
- CJCS presents CINC concerns during OSD/OMB budget review.

D) DRB and Members-DoD's principal resource management organization, reviews Service and Defense Agency POMs and program execution, chaired by DEPSECDEF, key members include USD (A,T&L), USD(P), USD(C), and Director, Program Analysis and Evaluation (DPA&E).

E) OSD(C)

- coordinates annual budget review for DRB
- with DPA&E, develops annual fiscal guidance for DPG
- assists DRB in preparation of annual PPBS calendar with input from USD(P) and DPA&E
- coordinates presentation and justification of the budget to Congress.

Discuss the flow of PPBS by phase.

A) Planning-involves examining the military role and posture of the U.S. and DoD in the world environment, considering enduring national security objectives and the need for efficient management of resources. Encompasses the FYDP (mid-term) and 10 year extended planning period (long-term).

1. Process begins about 1.5 years in advance of FY in which Budget Authority (BA) will be requested. Commanders of Unified Commands provide SECDEF and DRB:
 - a) Personal appraisals of major issues for DPG
 - b) Principal concerns and trends in both threat and U.S. response
2. Ends with DPG that promulgates: Defense Policy, Strategy, Force Planning, Resource Planning and Fiscal Guidance

*Final DPG draft must be reviewed by DRB and CINCs before SECDEF signs.

B) Programming-translates planning decisions, programming guidance, and congressional guidance into a detailed allocation of resource requirements through a systematic review and approval process that costs out force objectives. Includes the budget year, 4 years beyond for cost and manpower, and 7 years beyond for forces.

1. POM-service level submission by DoD components proposed programs consistent with DPG, contains:
 - a) systematic analysis of missions
 - b) objectives to be achieved
 - c) alternative method to meet objectives
 - d) allocations of resources.
2. JPAM-developed by JCS after above POMs submitted, is a risk assessment based on capability.
3. IBs-service level POMs analyzed and issues developed, staffed, and compiled in these, have broad policy, force, program, or resource implications.
4. Communication during this phase occurs by interaction of CINCs and Military Departments through component commands. Components are afforded opportunity to resolve CINC concerns including those in POM development.
5. IPLs-CINCs high priority needs are submitted to SECDEF, DEPSECDEF, and CJCS
6. DRB Review and PDM decisions are made on these issues by SECDEF and DEPSECDEF are formally announced in PDM, signed by them, and sent to DoD components and OMB.
7. The PDMs become basis for budget submission. This completes programming phase.

C) Budgeting- (final phase) is the translation of programmatic decisions made during the programming phase into resources in appropriations format.

1. BES-annual submission by each DoD component of budget estimate to SECDEF. Includes the prior, current, and budget fiscal years. Submit biennial (2 year) budgets in even-numbered years.
2. Reviewing and Resolving Major Budget Issues-near the end of the budget review process, SECDEF and DEPSECDEF may provide for review of unresolved component major policy or budget issues. CJCS presents CINC concerns during the OSD/OMB review.

Describe the acquisition process and how it fits into the PPBS.

The Acquisition Life Cycle Decision-Making and PPBS:

Entering into next acquisition life-cycle phase requires programs to meet criteria established for the particular Milestone (MS) decision point as set forth in the acquisition strategy

Summary:

- Milestone Decision Authority (MDA) holds MSI Review to formally consider request to initiate new acquisition program. MDA writes ADM documenting approval to proceed to next life-cycle phase, this validation is submitted as part of the Service's POM.
- MSII, SECDEF decides whether to proceed with program based on recommendation from DAB. This decision is included as part of SECDEF PDMs
- Phase II for EMD, to proceed is contingent upon the Military Department's demonstration that sufficient funds are included in its POM.

Describe the relationship between and among appropriations.

Appropriations are results of acts of Congress that allow Federal agencies to incur obligations and make payments from the Treasury for a specified purpose.

Appropriation refers to a type (color) of funding, specific FY, program and account.

Annual (expense-type) appropriations have much faster outlay rates than multi-year (investment-type) appropriations.

Life Cycles:

Appropriation	New Obligations Unexpired	Obligation Adjustment & Disbursements Expired Status	Closed End of Year Cancelled
MILPERS	1	2-6	6
O&M	1	2-6	6
RDT&E	2	3-7	7
PROCUREMENT	3	4-8	8
MILCON	5	6-10	10
SCN	5	6-10	10

Describe the phases of the Federal Budget Process.

A) Budget Formulation-organizations draft their budgets and the agency (DoD) consolidates and prepares budget for President and Congress, can start as early as 31 months before target FY.

B) Congressional Action-begins with Director, OMB, and Secretary of Treasury appearing before House and Senate Budget Committees and Appropriations Committees to explain budget proposals, followed by these committees then holding separate hearings/testimony.

C) Budget Execution-begins with President's signature on appropriations bill, followed by issuance of Treasury Warrants, followed by apportionment process, which starts the flow of budget authority

D) Review and Audit-following enactment of the budget into authorization and appropriation acts by Congress, several actions are taken to monitor accountability and execution.

Describe how reimbursements are determined between components.

A contract (ISA, MOU, MOA) between the parties must be entered into. This contract must describe the type of work to be done, how much will be done, and how charges will be developed.

1) Interservice (ISA) and intragovernmental support is reimbursable to the extent that the support supplier's direct costs are increased.

2) Support costs that are charged to support a receiver must be measurable and directly attributable to the receiver.

3) Indirect costs are not to be included with exception of those included in stabilized rates charged for Working Capital mission products and services.

4) Performing agency must comply with appropriation restrictions cited by ordering agency.

Distinguish between reprogramming transactions and transfers.

A) Transfer is the shifting of funds between different appropriations, prohibited without statutory authority. Authority rests with SECDEF.

B) Reprogramming is the movement of funds between program elements or line items within the same appropriation for purposes other than those at time of appropriation.

Rules:

1) must move funds within same appropriation

2) must be within limits delegated by approving official

3) requires DoD Comptroller approval.

List resources recommended for a Defense Financial Manager's library.

- OMB Circular A-11: Preparation and Submission of Budget Estimates
- OMB Circular A-34: Instruction of Budget Execution
- OMB Circular A-76: Performance of Commercial Activities
- OMB Circular A-109: Major Systems Acquisition

SECTION 2

Cost and Economic Analysis

Study Guidance:

This area forms 20% of Module II (about 16 questions) and deals with the financial manager's knowledge of mathematical and statistical methods, cost estimating, benefit analysis, return on investment, and present value; system acquisition and life-cycle management, DoD Cost Guidance; Activity-Based Costing, Service-Based Costing; acquisition concepts, principles, and processes.

Learning Objectives:

Fundamental principles of cost and economic analysis.

Statistical techniques in cost and economic analysis.

Difference between quantifiable and non-quantifiable benefits.

Relationship between cost analysis and DoD acquisition life cycle.

DoD cost guidance and principles.

Cost estimating techniques.

Difference between Activity-Based, Standard-Service, and Service-Based Costing.

DoD purpose of Cost as Independent Variable, Analysis of Alternatives, and Earned Value Management.

Significance of cost estimating in the approval of funding of multi-year contracts.

Types of contractor cost data reporting associated with the Earned Value Management System (EVMS).

Core competency requirements are:

Describe fundamental principles of cost and economic analysis.

To achieve a systematic evaluation, the following two principles must be followed:

1. Each feasible alternative for meeting an objective must be considered and its life-cycle costs and benefits evaluated.
2. All costs and benefits are adjusted to "present value" by using discount factors to account for the time-value of money. Both size and timing of costs and benefits are important.

Identify statistical techniques used in cost and economic analysis.

A) Descriptive Statistics-measures of:

- Central Tendency, includes:
 - mean which is an arithmetic average of a distribution of scores
 - median which divides a sample in half, the middle
 - mode which is the most frequent score in a distribution of scores
- Measures of Dispersion-how data is distributed includes:
 - range which is the limits of a sample of data
 - standard deviation which is a measure that indicates if a majority of values falls near the mean value versus being widely dispersed
 - variance which is the spread away from the mean
- Frequency Distributions, which describes shapes of distribution of values, includes:
 - normal distributions which are bell-shaped
 - skewed distributions which are stretched to one side bell shaped distributions
 - ANOVA which is an analysis of variation

B) Inferential Statistics-making inferences about the entire population based on examining a sample; two types are percentage changes and measures of correlation. Involves using proportions, percentages of populations or samples and measures of correlation which describes two or more variables under study.

Differentiate between quantifiable and non-quantifiable benefits.

A) Quantifiable Benefits can be assigned a numeric value such as dollars, physical count, or percentage change. Three types of dollar quantifiable benefits:

Cost savings - reduction of an approved program or major acquisition program, if the benefit occurs during the POM period.

Cost avoidance - reduction in some future resource requirement, which has not been included in an approved program, because investment in some needed program will not have been in an approved program. When the implementation of a preferred alternative does not require the purchase of hardware and does not degrade current capability, there is a cost avoidance.

Productivity improvements - reduction in future personnel time and effort requirements associated with a function or an assigned task that has been included in an approved program.

B) Non-Quantifiable benefits are subjective and difficult to assess. They include morale, improved readiness, improved quality and security. These are addressed qualitatively.

State the relationship between cost analysis and DoD acquisition life cycle.

Cost and economic analyses are used to support decisions made during the acquisition life cycle.

Identify DoD cost guidance and principles.

Purpose is to achieve systems affordability, which is defined as:

The degree to which the life-cycle cost of an acquisition program is in consonance with the long-range investment and force structure of the plans of DoD or individual DoD components.

Affordability procedures establish the basis for fostering greater program stability through the assessment of program affordability and the determination of affordability constraints.

Describe cost estimating techniques.

A) Analogy Approach-based on direct comparison (subjective) with historical information of similar existing activities, systems, or components.

Strengths: quick, inexpensive, and easy to change

Weaknesses: subjective, not as precise.

B) Parametric approach-cost is based on physical attributes or performance characteristics and their relationships to highly aggregated component costs. Generates an estimate based on system performance/characteristics.

Uses a database of elements from similar systems.

Differs from Analogy Approach because it uses multiple systems, makes statistical inferences about the Cost Estimating Relationship (CER).

Strengths: uses CER, easy for “what-if drills”, inexpensive.

Weaknesses: moderately subjective, precision only as good as the database.

C) Engineering Approach-"bottom-up" method, most detailed of all techniques and most costly, requires analyst to have extensive knowledge of system.

Strengths: very accurate in later stages of EMD, limited subjectivity.

Weaknesses: very expensive, very time-consuming, difficult for “what-if” drills.

D) Actual Cost Approach-use of extrapolation from actual costs that were contracted for or actually incurred on that system during an earlier period.

Strengths: little subjectivity, very accurate.

Weaknesses: little applicability, budget may already be submitted.

E) Using Expert Opinions-use of the subjective judgment of an experienced individual or group, usually have a lack of detailed rationale and analysis, can be useful but normally highly uncertain and have low confidence rating.

One method used is the Delphi questionnaire:

- 1) query expert opinion from a group
- 2) seek information and supporting rationale from each expert independently
- 3) summarize results and send report to each expert to gather second opinions and summarize these
- 4) continue the iteration process until there is a consensus.

Differentiate between Activity-Based, Standard-Service, and Service-Based Costing.

A) Activity-Based Costing:

Assigns costs to objects (products, services) based on the costs of the activities involved in producing the object.

Traces costs to activities and further delineates the costs to specific products and services.

Accounting techniques that determines the costs of activities -- -although activities are responsible for all costs, not all activities contribute to the production of every service or product therefore each should only be charged for its appropriate share of costs.

B) Standard-Service Costing:

Methodology developed to time service performance to cost in the installation support arena. Transform "did cost" into "expected costs". After expected costs are known, cost trade-off analyses and "what-if" scenarios can be conducted and performance standards can be set. Has 3 primary components-services, standards, and costs.

C) Service-Based Costing:

Provides the "did cost" for SSC, with procedures for cost accumulation that are consistent with FASAB.

Cost data collected in an organized way --- by expenditure (PEs) and by element of resource (civilian labor, materials)

Uses DFAS accounting data.

"Did costs" reported with a quantity of output that acts as pacing measures, the resulting unit cost for the pacing measure is an excellent efficiency measure.

Describe the purpose of the following DoD acquisition requirements/initiatives: Cost as Independent Variable, Analysis of Alternatives, and Earned Value Management.

Purpose of CAIV: By established trade-offs up front, CAIV principles empower the user to make effective and more informed choices, thus providing optimum performance for the money required for each system.

Purpose of AoA: The AoA is a quantitative discussion of the reasonable material alternatives to meet a stated mission need. Analyses are intended to aid and document decision-making, and foster joint ownership and afford a better understanding of subsequent decisions.

Purpose of Earned Value Management: As a series of processes that relate technical performance to schedules and budgets, EVMS sets a detailed work plan (Performance Measurement Baseline) that will measure ongoing performance against the plan's baseline using objective measures. Scope, schedule and budget are linked.

Describe the significance of cost estimating in the approval of funding of multi-year contracts.

Multi-year contracting is a method of acquiring up to 5 years of requirements for systems with a single contract. DoD regulations require that the contract cost estimates and the anticipated cost savings are realistic. Estimates should be based on historical

cost data for the same or similar item. Must be identified in POM, approved by Congress. This is an exception to full-funding.

Identify the types of contractor cost data reporting associated with the Earned Value Management System (EVMS).

An effective EVMS must have a plan that integrates the work scope with the schedule and budget, uses objective measures to determine the value of the work completed compared to the plan. Linking scope, schedule, and budget is critical.

Contractors internal management system must produce data that:

- indicate work progress
- properly relate cost, schedule, and technical accomplishment
- are valid, timely, and able to be audited
- provide DoD component managers with information at a practical level of summarization.

High-risk, Non-FFP contracts require Cost Performance Reports (CPR) at certain thresholds.

Lower risk programs (lower thresholds) can use Cost/Schedule Status Report (C/SSR).

SECTION 3

Business Management Process Improvement

Study Guidance:

This area constitutes 10% of Module 2 (approximately 8 questions) and deals with concepts of Business Process Reengineering, special authority to use receipts, Government Performance and Results Act (GPRA) of 1993, and directives and regulations related to commercial activities performance.

Learning Objectives:

Key elements of Business Process Reengineering (BPR).

Composition of a successful BPR team.

Requirements and documents for the GPRA.

Key elements of OMB Circular A-76 as it relates to MEOs.

Distinguish between outsourcing and privatization.

Core competency requirements are:

Explain the key elements of BPR.

BPR is a process to dramatically improve operating effectiveness by redesigning critical business processes and supporting business systems as opposed to incremental improvement. It looks at the details of the process i.e., purpose of work, who performs it, where it's done, and when. It focuses on the process of production versus restructuring. Steps:

- Create a reengineering framework.

- Identify customers and determine needs.

- Map the existing process.

- Measure the process performance.

- Redesign the existing process.

- Implement the redesign.

Describe the composition of a successful BPR team.

It should be a mixture of competencies and experiences.

- Some who don't know the process.

- Some who do.

- Customers.

- Some from impacted organizations.

- One or two technology experts.

- Some of the best and brightest, who are committed.

- Some from outside the organization.

Limit to 10 or less members.

Describe requirements and documents for the GPRA.

Requirements:

- 5 year strategic plans every 3 years, beginning September 30, 1997.
- Annual performance plans that specify how the funding requirements will be used to achieve strategic plans, outcomes, and outputs.
- Annual performance reports to President and Congress, beginning Mar 31, 2000.

Documents:

- Strategic Plan with mission statement, outcome-related goals, strategy to meet goals, link between goals and strategy, external agency factors that impact goals and objectives, and a description of program evaluation process.
- Performance Plan (to OMB) which sets performance goals, expressed in objective, quantifiable, and measurable form, describes operational processes, skills and other technology and other resources required to meet performance goals, sets performance indicators, sets a basis for comparing actual results with goals, and describes the process to verify and validate measures.
- Performance Reports (annually NLT March 31) to President and Congress which reports on program performance for the previous fiscal year.

Describe the key elements of OMB Circular A-76 (as it relates to MEOs).

- Commercial Activities (CA) management study is mandatory-- it shall identify essential functions, determine performance factors, organization structure, staffing, and operating procedures for the most efficient and cost-effective in-house performance.
- Most Efficient Organization (MEO) becomes basis of the Government estimate for cost comparison with potential contractors.
- DoD components have formal programs and training for performance of CA study.
- For critical or sensitive services, the CA study must include a plan for expansion in emergencies.
- Management must solicit views early in the study from employees in CA for their recommendations as to the MEO or improving operations.
- CA study will be basis on which DoD component certifies that the Government cost estimate is based on.
- Implementation of MEO shall start within one month after cancellation of solicitation and done within 6 months.
- CA study is not required for simplified cost comparisons but MEO analysis and certification required.

Distinguish between outsourcing and privatization.

Outsourcing-Government entity retains full responsibility for the provision of affected services and maintains control over management decisions, while another organization performs the function or service. It includes contracting out, granting of franchises to private firms, and the use of volunteers to deliver public services.

Privatization-any process aimed at shifting functions and responsibilities, wholly or partly, from the Government to the private sector.

SECTION 4

Fiscal Law

Study Guidance:

This area forms 10% of Module II and deals with the financial manager's knowledge of the law regarding availability of appropriations as to purpose, time and amount, applicable Comptroller General decisions, special purpose laws (Credit Reform, Foreign Assistance, Arms Export Control Acts), penalties and sanctions applicable under law, Anti-Deficiency Act (as applied to appropriations limitation), allotment or project executions, authorization and appropriation acts including their inter-relationship and respective roles, reporting and notification requirements.

Since Fiscal Law is tested in all three modules of the CDFM examination, there is overlap in the material tested so it is included in Module I.

Core competency requirements are:

What is the purpose of a Continuing Resolution Authority?

Legislation enacted by Congress to provide budget authority for federal agencies and/or specific authority to continue operations until regular appropriations are enacted. CRAs provide spending in the form of a rate vice amount.

Describe the requirements for Reprogramming funds.

- 1) Funds can only be moved within the obligation years available.
- 2) Reprogramming is a zero-sum game.
- 3) Rules are changing continuously.
- 4) You can't reprogram from/to a Congressionally-denied program.

What are the two ways to shift money from one place to another?

- 1) Transfer- shifting money between appropriations. Requires statutory authority.
- 2) Reprogram - Shifts money within the same appropriation.

MODULE 3

Competency Area 1

Accounting

Study Guidance:

This key area forms 35% of Module III (approximately 28 questions) and deals with the financial manager's knowledge of cost accounting procedures designed to capture total cost, generally accepted accounting principles, including DoD Financial Management Regulation and fiscal law, financial statement analysis tools (financial ratios) accounting and finance practices and procedures for general funds, working capital funds and non-appropriated funds including internal controls, the CFO Act of 1990, Office of Management and Budget (OMB), form and content guidance for preparation of financial statements, GMRA of 1994, Federal Financial Management Improvement Act of 1996, and Department of Defense accounting and finance reports at all levels. Reliability and Relevance of data reported are very important. Freedom from bias is a characteristic of reliability, inclusion of significant data is a characteristic of relevance.

Learning Objectives:

Describe the role of FASAB in setting FAS.

List types of government funds used within DoD.

List uses of government funds.

Summarize the differences between Financial, Cost, and Managerial accounting.

List 5 components of General-Purpose Financial reports and the focus of each.

Describe the role of DFAS in DoD accounting policy.

Define functions of government accounting.

Describe the role of each of the various organizations that impact government accounting policy.

Define the types of general ledger accounts.

Identify the primary component of financial statements.

Core competency requirements are:

Describe the role of FASAB in setting FAS.

FASAB is responsible for establishing FAS and principles to improve the usefulness of federal financial reports. The FAS are the standards that are the federal GAAP.

List types of government funds used within DoD.

- 1) Appropriations- specific purpose
- 2) Annual appropriations- 1 year
- 3) Multi-year appropriations- 2 to 5 years
- 4) No year appropriation- does not expire
- 5) Trust fund- funds held for a specific purpose
- 6) Non-appropriated funds- funds not appropriated by Congress
- 7) Permanent appropriations- indefinite (interest on debt, social security, and federal retirement)

List uses of government funds.

- 1) Appropriated fund activity
- 2) Reimbursable activity
- 3) Revolving fund authority

Summarize the differences between Financial, Cost, and Managerial accounting.

- 1) Managerial- interested in financial data for planning, organizing, controlling, performance analysis and decision-making (CMA). It is forward-looking and relies on past data to improve future performance.
- 2) Financial- emphasis is placed on historical facts (CPA) such as how well the organization did last quarter. It is the more publicly familiar accounting system.
- 3) Cost- often referred to as "managerial accounting" because of the focus on accumulating, analyzing, interpreting and reporting cost information. It provides the methods and techniques to identify and assign cost to accounting periods and to cost objects.

List 5 components of General-Purpose Financial reports and the focus of each.

- 1) Balance sheet- a snapshot of the organization
- 2) Statement of net cost- shows cost of operations for the period
- 3) Report of operations- reports on activities, assets, liabilities and net position (WCF only)
- 4) Footnotes to the financial statements- required to provide information about the report
- 5) Analysis- ratios and trends- to conduct a financial analysis of the data provided

Describe the role of DFAS in DoD accounting policy.

DFAS's role is to provide responsive, professional finance and accounting service to the DoD. DFAS is the sole accounting entity for the DoD and holds its official records.

Define functions of government accounting.

- 1) Cash- amount of funds the entity has in the treasury.
- 2) Accounts receivable- detailed records of who owes the entity money.
- 3) Advances- accounting for funds that the entity has given to the others in anticipation of receiving a future benefit.
- 4) Fixed assets- Plant, Property, and Equipment.
- 5) Accounts payable- detailed records of what the entity owes.

Describe the role of each of the various organizations that impact government accounting policy.

- 1) OMB- assists the President in preparation of budget and formulation of fiscal programs, supervises and controls the administration of the budget, aids the President in bringing about a more efficient and economical government service.
- 2) GAO- assists Congress in providing legislative control over the receipt, disbursement, and application of government funds.

- 3) JFMIP- Joint Financial Management Improvement Program- conducts a continuous program for improving accounting and financial reporting in the federal government.
- 4) FASAB- responsible for establishing FAS and principles to improve the usefulness of federal financial reports.

Define the types of general ledger accounts.

Used to organize financial data

- 1) Proprietary- determines the financial position and the results of the operations.
Includes assets, liabilities, equity, revenue, expense accounts and gains/losses.
- 2) Budgetary- records the status of receipts, valid obligations, and outlays.

The Standard General Ledger (SGL) provides uniformity to the overall consolidation of Government financial data. All agencies are required to use the SGL to transmit propriety information to the Treasury and budgetary data to OMB.

SGL assigns a 4-digit identification number to every account that allows financial transactions to be properly recorded and traced.

Identify the primary component of financial statements.

Accountability- the statements usefulness in decision making.

Competency Area 2

Finance

Study Guidance:

This area forms 35% of Module III (approximately 28 questions) and deals with the financial manager's knowledge of basic rules covering military and civilian pay, travel entitlements, contract pay, disbursing and debt management, communication techniques (customer relations) and internal controls in finance organizations.

Learning Objectives:

Describe the functions of disbursing within DoD.

Discuss the requirements to safeguard assets.

Explain currency control requirements.

Define certifying policies.

Describe payments for travel entitlements.

Describe the Prompt Payment Act.

Core competency requirements are:

Describe the functions/responsibilities of disbursing within DoD.

The principle functions consist of disbursing and collecting public funds. A Disbursing Officer (DO) is a fiscal agent of the US Treasury.

- 1) Record maintenance- must maintain detailed records and submit reports.
- 2) Electronic commerce- financial functions using data communications techniques.
- 3) Reporting- the DO is responsible for many reports.
- 4) Safeguarding assets- The DO is peculiarly liable for their disbursing acts and for the legal expenditure of funds under their control.
- 5) Administration of debt management

Discuss the requirements to safeguard assets.

- 1) Internal controls
 - a) separate and secure storage
 - b) inspections of the securities
- 2) Administration of debt management. To include administrative controls over:
 - a) debt owed
 - b) assurance that the debt is recorded in accounting systems
 - c) and, a system for aging the debts so that appropriate corrective actions can be taken.

Explain currency control requirements.

- 1) A DO may request an advance decision from the Comptroller General on the propriety of any prospective payment.
- 2) A DO must ensure all funds are accounted for correctly.
- 3) Checks must be safeguarded.

Define certifying policies.

- 1) All payments must be certified before disbursing funds by a certifying officer.
- 2) Certifying Officers should not be Disbursing Officers (DO)
- 3) Accountable officials authorize payments

Describe payments for travel entitlements.

There are two categories of entitlements paid to travelers on official business.

- 1) Temporary Duty Travel
- 2) Permanent Duty Travel

Payments are made on claims after certification (transportation, lodging, per diem and misc.)

Describe the Prompt Payment Act.

- 1) The PPA requires the federal government to make payments in a timely manner, within 30 days of certification based on the latter of the invoice receipt date, the receipt date of the material/service, or the acceptance date of the material/service date. Acceptance must occur within 7 days of material/service receipt date.
- 2) It also requires interest to be paid if a payment to a contractor is late.
- 3) Payment is still made during disputes.

Competency Area 3

Auditing

Study Guidance:

This area forms 15% of Module III (approximately 12 questions) and deals with the financial manager's knowledge of Comptroller General Standards (GAO Yellow Book), Federal Generally Accepted Accounting Principles, DoD policies and procedures, documentation requirements, reporting requirements, audit program development criteria, frequency of review criteria and requirements and constraints on services other than audits.

Learning Objectives:

Identify standards audits must follow.
List DoD internal audit groups.
Determine types of audits.
Define the audit review process
Discuss phases of an audit.
Describe the purpose of the audit report.

Core competency requirements are:

Identify the 5 GAO standards audits must follow.

The GAO has established 5 general standards:

- 1) Reasonable assurance
- 2) Supportive attitude
- 3) Competent personnel
- 4) Control objectives
- 5) Control technique

List DoD internal audit groups.

- 1) The Army Audit Agency
- 2) The Naval Audit Service
- 3) The Air Force Audit Agency
- 4) The Office of the Assistant IG for Auditing (OIG, DoD)

Determine the 4 types of audits.

There are 4 types of audits:

- 1) Financial audits- predetermined objectives, attests to the reliability of information prepared by another party.
- 2) Performance audits- objectives defined by auditors, assesses the adequacy of performance.
- 3) Contract audits- performed by DCAA.
- 4) Computer-processed data audits- assesses the reliability of computer processed data.

Define the audit review process.

The audit review process begins by gathering evidence, then determining if the evidence is material or significant.

Discuss the 3 phases of an audit.

The three phases of an audit include:

- 1) Planning- analyze and select issues to review.
- 2) Review- gathers evidence to support conclusions and recommendations.
- 3) Report- report the results of the audit.

Describe the purpose of the audit report.

The purpose of the audit are to present a conclusion, objectives of the audit, findings and recommendations.

Competency Area 4

Fiscal Law

Study Guidance:

This area forms 15% of Module III (approximately 12 questions) and deals with the financial manager's knowledge of the law regarding availability of appropriations as to purpose, time and amount, applicable Comptroller General decisions, special purpose laws (Credit Reform, Foreign Assistance, Arms Export Control Acts), penalties and sanctions applicable under law, Anti-Deficiency Act (as applied to appropriations limitation), allotment or project executions, authorization and appropriation acts including their inter-relationship and respective roles, reporting and notification requirements.

Since Fiscal Law is tested in all three modules of the CDFM examination, there is overlap in the material tested and it is covered in Module I.

Learning Objectives:

What is the purpose of a Continuing Resolution Authority?

Describe the requirements for Reprogramming funds.

What are the two ways to shift money from one place to another?

What is the purpose of a Continuing Resolution Authority?

Legislation enacted by Congress to provide budget authority for federal agencies and/or specific authority to continue operations until regular appropriations are enacted. CRAs provide spending in the form of a rate vice amount.

Describe the requirements for Reprogramming funds.

- 1) Funds can only be moved within the obligation years available.
- 2) Reprogramming is a zero-sum game.
- 3) Rules are changing continuously.
- 4) You can't reprogram from/to a Congressionally-denied program.

What are the two ways to shift money from one place to another?

- 1) Transfer- shifting money between appropriations. Requires statutory authority.
- 2) Reprogram - Shifts money within the same appropriation.